

2013/14 STATEMENT OF ACCOUNTS – EXPLANATORY NOTE AND OVERVIEW

Whilst not part of the Statement of Accounts document submitted to Council for approval, this note attempts to explain and clarify a number of technical accounting issues and figures detailed in the 2013/14 Statement of Accounts as follows:

Introduction & explanatory foreword (pages 3 -11)

1. This section describes the contents of the accounts and highlights high level information on spending and financing in 2013/14.
2. Page 7 highlights the overall revenue variation relative to the Council's approved budget for 2013/14. Members will be aware that the Cabinet meeting on 29th July 2014 received detailed reports on these variations.

Movement in reserves statement (pages 12 -14)

3. Page 14 highlights the movement in reserves in 2013/14. The table distinguishes between usable (or cash backed) reserves and unusable (or technical) reserves. The latter arises as a result of a large number of technical accounting entries required to achieve compliance with the Code. Details of usable reserves are set out on page 54. Whilst appearing to be substantial in value, it should be noted that the usable reserves have been set aside for identified and defined purposes and are highly constrained in terms of availability to finance spending.

Comprehensive Income & Expenditure Statement (pages 15 -16)

4. This statement has been prepared in accordance with the Code and provides a theoretical basis for making like for like comparisons between Councils. The presentation of net service costs is significantly different from the Council's customary budget and management accounting presentation due to the inclusion of items which do not have an immediate 'bottom line' impact on the Council's finances. These include:
 - o The inclusion of depreciation and changes in asset valuations
 - o The inclusion of changes in long term liabilities /assumptions in relation to Local Government Pension Scheme costs
 - o The inclusion of grant income (and costs where relevant) on a different accounting basis

Most of the significant year on year service variations relate to movements in Capital Charges and not necessarily to changes in expenditure on underlying service provision.

5. Page 16 highlights a net income of £195.406m. This is significantly different from the revenue outturn figure reported to Cabinet on 29th July 2014 and is due to the inclusion of the items mentioned in (4) above.

Balance Sheet (pages 17 -18)

6. The Balance Sheet contains a mixture of items which are recognisable and some which need further explanation.

7. Property, Plant and Equipment is initially measured at cost then is subject to periodical valuations unless otherwise agreed or specified in the Code. There are precise definitions in relation to the meaning of specific asset types (e.g. investment properties).
8. Current assets include investments, cash and debtors. Current liabilities include creditors and accounting provisions.
9. Long term liabilities include long term accounting provisions, borrowing (mainly PWLB loans) and the Council's share of net Pension Fund liabilities. The latter (£480.7m) is an estimated figure based on:
 - o a notional share of net Pension Fund assets
 - o an actuarial estimate of future Pension Fund liabilities based on past and current staff pension entitlements as at 31st March 2014.

The above figures represent a snapshot at a point in time (i.e. 31st March 2014) and cannot be regarded as anything more than a notional estimate of the Council's net long term liability for pension costs (excluding teachers).

Cash Flow statement (page 19)

10. This is an accounting statement which reconciles the movement in cash (and related) balances with other movements in revenue and balance sheet accounts.

Notes to the accounts (pages 20 -128)

11. The notes which are essentially technical in nature, provide further information in relation to accounting policies and related matters (pages 20 -44) and specific items (pages 48 -128) in the income and expenditure and balance sheet accounts.
12. Pages 44 -47 and pages 117 -120 set out details of key assumptions and contingent liabilities/assets respectively in particular, uncertainty regarding:
 - o the useful residual life of assets, net pension liabilities and amounts set aside for provisions such as insurance claims
 - o events which could lead to an accounting liability
 - o the outcome of equal pay and job evaluation claims and settlements

Housing Revenue Account including notes (pages 129 -136)

13. The Income & Expenditure account on pages 129 -130 has been compiled in accordance with the Code and as such, results in a deficit of £0.730m. As with the Comprehensive Income and Expenditure Account this will differ from reported outturn due to the inclusion of the following items:-
 - o Depreciation charges
 - o A share of Pension liabilities

- o Grants i.e. a different accounting treatment compared to the management accounts / budget presentation

14. As in previous years, the valuation of Council Houses is based on the concept of future rental streams rather than surveyed valuations. This reflects the requirement of the Code.

Asset structure (pages 137 –139)

15. The changes in numbers of each type of asset are listed.

Pension Fund (pages 140 –177)

16. Page 142 highlights a net positive flow of money (£107.043m) into the Fund. Positive inflows of cash will remain the case in the short to medium term.

17. Page 143 details the Fund's assets as at 31st March 2014 and highlights the significant diversification over several asset classes. The asset values represent a snapshot of the position at the year end and do not reflect significant increases/ decreases which can occur in a relatively short period of time.

18. Page 153 -154 details the market value of Pension Fund assets of £1.38 billion at 31st March 2014 and highlights the diversification of risk over assets classes.

Group Accounts (pages 178 -201)

19. The organisations defined as being part of the City & County of Swansea's group are listed on page 178 -180. Whilst the Council has a close connection with these organisations the extent to which the organisations assets, liabilities and transactions are reflected in the Council's Group Accounts depends on the precise relationship between the Council and the organisation in question. In some instances (e.g. Bay Leisure Limited), the substantive asset (i.e the LC) is already included in the Council's accounts. In such instances, the Group Accounts only reflect a relatively small 'additional asset' value.

20. The Swansea City Waste Disposal Company Limited was a wholly owned subsidiary until 31st July 2013 when the assets, liabilities and balances transferred to the Authority. The Swansea City Waste Disposal Company has ceased trading and is effectively a dormant company.

Annual Governance Statement (pages 205 -218)

21. This Statement was approved by Cabinet meeting on 23rd September 2014 and sets out the Council's arrangements to achieve good governance in accordance with six principles of good governance.

Head of Finance and Delivery
23rd September 2014